

CITY OF CANANDAIGUA, NEW YORK

Basic Financial Statements and  
Required Supplementary Information

December 31, 2009

(With Independent Auditors' Report Thereon)

# CITY OF CANANDAIGUA, NEW YORK

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**INDEPENDENT AUDITORS' REPORT**

City of Canandaigua  
Canandaigua, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Canandaigua, New York (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial standards are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As discussed in note 7 to the financial statements, in 2009 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions."

Management's discussion and analysis, as listed in the foregoing table of contents, is not a required part of the basic financial statements but is supplementary information required by GASB. This information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City's basic financial statements. Schedules 1 and 2 as listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the City's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 26, 2010

## CITY OF CANANDAIGUA, NEW YORK

### Management's Discussion and Analysis

December 31, 2009

## INTRODUCTION

The following is a discussion and analysis of the City of Canandaigua, New York's (the City) financial performance for the year ended December 31, 2009. This section of the report should be read in conjunction with the basic financial statements, which immediately follow this section, in order to provide an enhanced understanding of the City's financial performance.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: **(1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.** This report also contains individual fund financial statements and schedules in addition to these basic financial statements.

### **Government-Wide Financial Statements**

These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These consist of:

- The statement of net assets which presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities which presents information showing how the City's net assets changed during the most recent year. The primary governmental activities of the City as used in this statement include general government support, public safety, health, transportation, economic assistance, culture and recreation, home and community services, and interest on long-term debt. The business-type activities include the water and sewer fund. This statement calculates the cost of each functional activity as well as all resources available for that purpose.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting, which is similar to the methods used by most businesses, takes into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid.

### **Fund Financial Statements**

In the governmental area, financial statements are organized around "funds." A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are established to control and manage the money and budgets of certain governmental activities. Some funds are required to be set up by law, and others to meet state and federal government requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

- **Governmental Funds:** Governmental funds focus on a government's near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The City maintains eight individual government funds that are included in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances. Major funds consist of the general fund, capital project fund and the community development fund. Nonmajor funds, combined on the financial statements, consist of the capital fund, debt service fund, watershed program, parks and open spaces and the technology fund. Data for each of these nonmajor funds can be found in the supplemental information.
- **Proprietary Funds:** Proprietary funds are used to account for governmental activities that are like commercial activities. Generally, they account for the production of goods or services sold to the public. A type of proprietary fund is an enterprise fund which a government establishes to account for activities that consist of rendering services or providing goods to the public for which a fee or charge is collected. The City has established two enterprise funds, a water fund and sewer fund.
- **Fiduciary Funds:** Fiduciary funds are used to account for assets held in a trustee or custodial capacity. The City maintains two types of fiduciary funds, an expendable trust and agency funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

**Other Supplementary Information**

Other supplementary information includes combining financial statements for nonmajor governmental funds, each of which are added together and presented in single columns in the financial statements.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the City's financial position. As of December 31, 2009 the total assets of the City exceeded liabilities by \$50,543,697.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**CONDENSED STATEMENTS OF NET ASSETS AT DECEMBER 31, 2009 AND 2008 FOR  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2008 - 2009
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 6,647,740	7,496,479	4,577,881	4,132,799	11,225,621	11,629,278	(3.5)%
Capital assets	<u>40,278,886</u>	<u>40,927,205</u>	<u>20,022,206</u>	<u>17,451,590</u>	<u>60,301,092</u>	<u>58,378,795</u>	3.3
Total assets	<u>\$ 46,926,626</u>	<u>48,423,684</u>	<u>24,600,087</u>	<u>21,584,389</u>	<u>71,526,713</u>	<u>70,008,073</u>	2.2
Other liabilities	966,632	1,230,942	608,919	173,338	1,575,551	1,404,280	12.2
Long-term liabilities	<u>10,966,568</u>	<u>12,267,318</u>	<u>8,440,897</u>	<u>6,078,654</u>	<u>19,407,465</u>	<u>18,345,972</u>	5.8
Total liabilities	<u>\$ 11,933,200</u>	<u>13,498,260</u>	<u>9,049,816</u>	<u>6,251,992</u>	<u>20,983,016</u>	<u>19,750,252</u>	6.2
Net assets:							
Invested in capital assets							
net of related debt	32,237,711	31,117,500	11,742,647	11,549,562	43,980,358	42,667,062	3.1
Restricted	1,221,691	927,229	2,349,995	2,127,540	3,571,686	3,054,769	16.9
Unrestricted	<u>1,534,024</u>	<u>2,880,695</u>	<u>1,457,629</u>	<u>1,655,295</u>	<u>2,991,653</u>	<u>4,535,990</u>	(34.1)
Total net assets	<u>\$ 34,993,426</u>	<u>34,925,424</u>	<u>15,550,271</u>	<u>15,332,397</u>	<u>50,543,697</u>	<u>50,257,821</u>	0.6

The largest component of the City's net assets, \$43,642,968 or approximately 86.3%, reflects its investment in capital assets, less any related outstanding debt used to acquire or construct the assets. The City uses these capital assets to provide services to its citizens.

Approximately \$3,571,686 or 7.1% of the total net assets are subject to external restrictions and are not available to finance the day-to-day operations of the City. The remaining \$2,991,653 balance of unrestricted net assets can be used to finance future operations.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2008-2009</u>
<b>Program revenue:</b>							
Charges for services	\$ 1,934,450	1,904,058	5,237,253	4,318,459	7,171,703	6,222,517	15.3%
Operating grants & contributions	196,963	194,258	-	-	196,963	194,258	1.4
Capital grants & contributions	928,140	643,652	-	-	928,140	643,652	44.2
<b>General revenue:</b>							
Real property taxes	3,917,208	3,782,371	-	-	3,917,208	3,782,371	3.6
Non-property taxes	4,091,915	4,291,142	-	-	4,091,915	4,291,142	(4.6)
Unallocated state aid	1,215,633	1,215,633	-	-	1,215,633	1,215,633	-
Mortgage tax	222,571	204,317	-	-	222,571	204,317	8.9
Compensation for loss	32,998	235,543	-	-	32,998	235,543	(86.0)
Use of money and property	304,663	315,086	33,901	74,095	338,564	389,181	(13.0)
Transfers	290,000	290,000	(290,000)	(290,000)	-	-	-
Miscellaneous revenue	106,395	118,345	22,684	20,338	129,079	138,683	(6.9)
<b>Total revenue</b>	<u>13,240,936</u>	<u>13,194,405</u>	<u>5,003,838</u>	<u>4,122,892</u>	<u>18,244,774</u>	<u>17,317,297</u>	5.4
<b>Program expenses:</b>							
General government	2,231,888	2,255,824	-	-	2,231,888	2,255,824	(1.1)
Public safety	5,409,553	5,419,290	-	-	5,409,553	5,419,290	(0.2)
Transportation	2,658,244	2,518,594	-	-	2,658,244	2,518,594	5.5
Economic assistance and opportunity	225,269	238,170	-	-	225,269	238,170	(5.4)
Cultural and recreation	1,123,019	1,078,079	-	-	1,123,019	1,078,079	4.2
Home and community services	1,051,999	1,011,412	-	-	1,051,999	1,011,412	4.0
Interest on long-term debt	472,962	521,143	-	-	472,962	521,143	(9.2)
Business-type activities	-	-	4,785,964	4,565,100	4,785,964	4,565,100	4.8
<b>Total expenses</b>	<u>13,172,934</u>	<u>13,042,512</u>	<u>4,785,964</u>	<u>4,565,100</u>	<u>17,958,898</u>	<u>17,607,612</u>	2.0
Change in net assets	68,002	151,893	217,874	(442,208)	285,876	(290,315)	198.5
Net assets at beginning of year	34,925,424	34,773,531	15,332,397	15,774,605	50,257,821	50,548,136	(0.6)
Net assets at end of year	<u>\$ 34,993,426</u>	<u>34,925,424</u>	<u>15,550,271</u>	<u>15,332,397</u>	<u>50,543,697</u>	<u>50,257,821</u>	0.6

The revenue and expense information was derived from the government-wide statement of activities and reflects how the City's net assets changed during the fiscal year. The City earned program revenues of \$8.3 million and general revenues of \$9.95 million for total revenues of \$18.24 million during fiscal year 2009. Expenses for the City during fiscal year 2009 were \$17.96 million. The financial activities of the City in 2009 increased the net assets by \$285,876, which represents a change of 0.6% over the prior year.

Governmental Activities: The net assets of governmental activities increased \$68,002 in fiscal year 2009. Revenues for the governmental activities totaled approximately \$13.24 million, an increase of 0.4% over the prior year, while expenses totaled \$13.17 million, an increase of 1.0% over the prior year. Significant variances are as follows:



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Revenue:

- Charges for services and operating grants and contributions experienced slight increases of 1.5% and 1.4% respectively.
- Capital grants and contributions had a 44.2% increase over the prior year. The City receives various grants from State and Federal agencies for certain projects. In 2009, the City received a Federal FEMA grant for fire department equipment in the amount of \$173,647. The City also received Federal stimulus funds for two projects totaling \$550,115.
- Non-property taxes declined by 4.6% over the prior year primarily driven by a decrease in sales tax revenue and interest earnings decreased by 3.3%. Both of these declines are attributable to the slow economy.
- The City did see an increase in the mortgage tax of 8.9% due to increases in house sales and refinancings.
- Compensation for loss, which includes sales of property, decreased 86% due to a sale of real estate and from an increase of insurance recoveries in 2008.

Expenditures:

- City employees received an increase in salaries of 2.5% to 2.8% in 2009.
- Employee benefits decreased by 2.3% over the prior year. Although insurance premiums increased more than 18%, DPW and nonunion switched to a lower premium plan beginning in 2009. The rates for NYS Retirement also decreased in 2009.
- Gas and oil expense decreased by 43% over 2008 due to lower gas prices.
- General government and public safety both had a slight decrease over 2008 of 1.1% and 0.2%, respectively.
- Transportation increased by 5.5% over the prior year mainly due to an increase in depreciation.
- Economic assistance and opportunity decreased by 5.4% due to a budgeted decrease in funding outside agencies.
- Culture and recreation expenditures increased by 4.2% due an expansion of the summer park program and additional community event costs.
- Home and community services expenditures increased by 4.0% due to expenses associated with two planned unit developments. The additional expenditures are reimbursed by the developers.
- Interest on long-term debt decreased by 9.2% over 2008.

Business-Type Activities: The net assets of business-type activities increased by \$217,874 in fiscal year 2009. Revenues for business-type activities totaled approximately \$5.0 million, an increase of 21.4% over the prior year, while expenses totaled \$4.79 million, an increase of 4.8% from the prior year. Significant variances are as follows:

- There was an overall increase in charges for services primarily driven by an increase in the liquid waste agreements in 2009 of \$121,533. There was a 6.2% water rate increase, and a 11.5% sewer rate increase in 2009.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

- Interest earnings decreased 54.2% due to a declining interest rate and a decrease in the allocation based on the amount of cash available for investing.
- Increase in expenditures was primarily driven by an increase in depreciation of 9% and interest expense of 24% due to bonding of phase two of the new water tank project.

**FINANCIAL ANALYSIS OF CITY FUNDS**

**Governmental Funds**

At the end of the current fiscal year, the City reported a combined fund balance of \$4.21 million, a decrease of \$497,133 from the prior year. Of the total combined fund balance, \$3.19 million constitutes unreserved fund balance, of which \$358,750 has been designated for subsequent year's expenditures and represents the amount estimated for use in the 2010 budget, while the balance of \$2.84 million is available for spending at the City's discretion. Of the \$2.84 million, capital projects ended 2009 with a deficit of \$(472,801) which will be covered by a bond issue in 2010, \$376,264 for nonmajor funds and \$351,683 for community development. The remainder of the fund balance is reserved for: encumbrances - \$277,330, reserve for insurance - \$190,550, reserve for capital - \$369,955, reserve for debt - \$58,654, a reserve for Kershaw Park - \$105,102 and miscellaneous reserves of \$10,574.

Funds with significant changes in fund balance are discussed below:

**General Fund**

The City's general fund is the largest "fund" of the City comprising 72% of the adopted 2009 City budget. Some of the services provided by the general fund are:

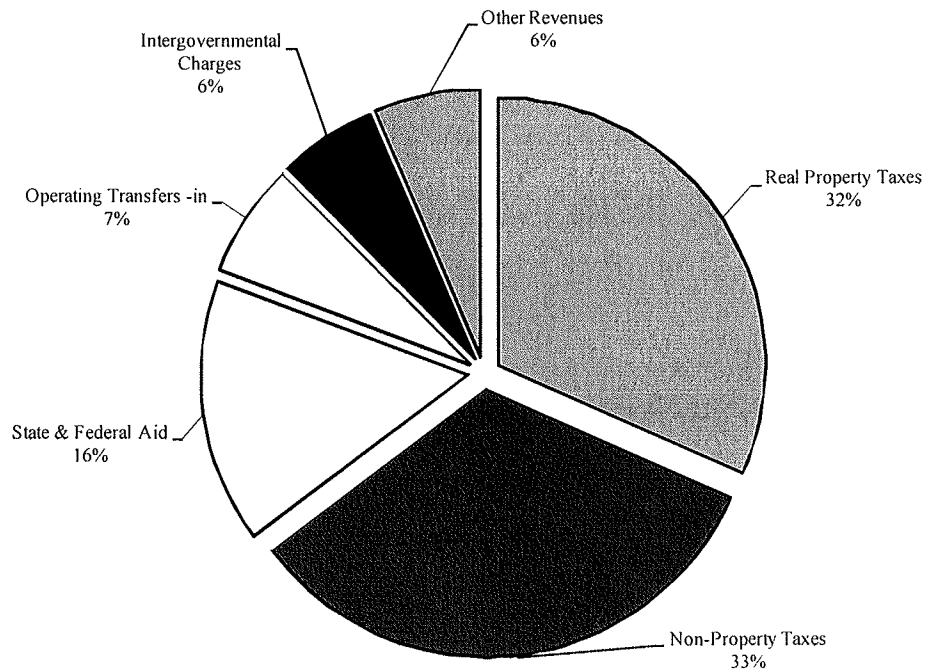
- Issuing and maintaining vital records (birth, death, and marriage certificates) and issuing various state and local licenses and permits;
- Providing public safety services, including police and fire protection and code enforcement;
- Building and maintaining roads and bridges, including snow and ice removal, street lighting and sidewalks;
- Operating and maintaining public parks and offering recreation programs;
- Providing sanitation services including curb-side collection of solid waste and recyclable materials, street sweeping and the maintenance of storm sewers;
- Planting and maintaining an "urban forest" of trees along city streets and on other public property.

In addition to the above programs, the general fund provides support such as administration, accounting and financial management, payroll and personnel, assessment, planning and zoning, legal, etc.

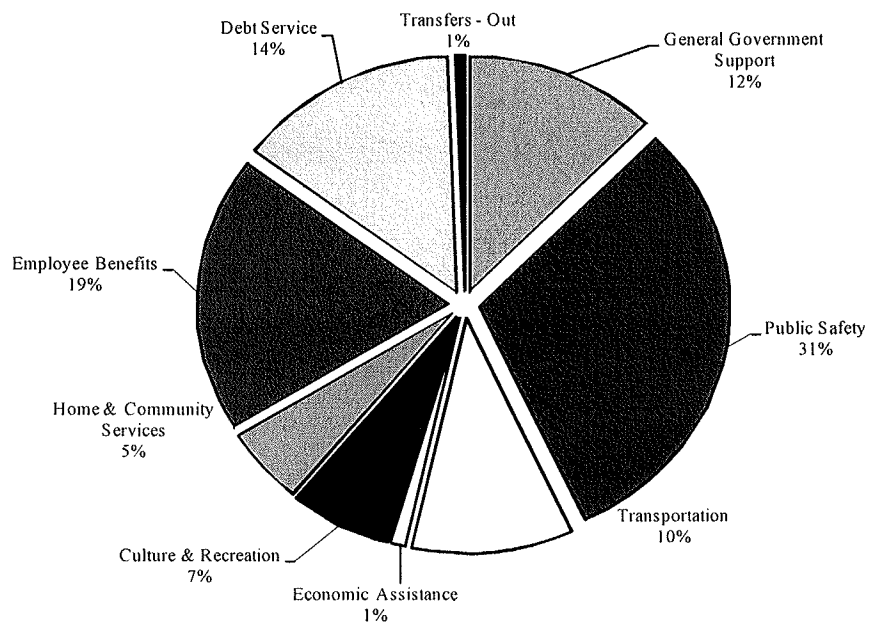
As indicated on the following graphs, the City relies upon a number of important revenue sources to fund its operating expenses. Property taxes, sales taxes and State aid are the most significant sources of general fund revenue, while public safety (police and fire services), public works operations, debt service, and employee benefits and other undistributed expenses are the most significant sources of general fund expense.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**2009 General Fund Revenue Categories**



**2009  
General Fund Expenditures by Program**



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

The amended general fund budget in the amount of \$13.50 million anticipated the use of \$549,941 of fund balance and reserves. However, actual results of operations showed an overall increase to fund balance of \$22,001, which resulted in a net increase to fund balance (net of encumbrances) of \$556,897, comparing the actual results to the budget.

General fund revenue overall had a negative variance of 4.5% as compared to budget. Most categories reflected negative variances as compared to budget, but there were areas that produced above budget expectation. The largest variances were:

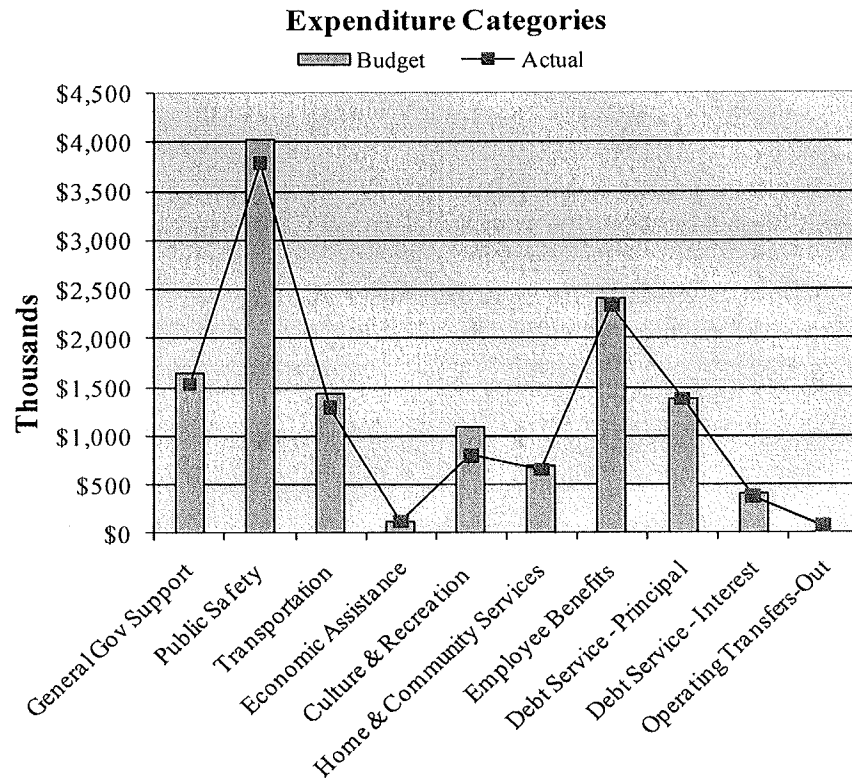
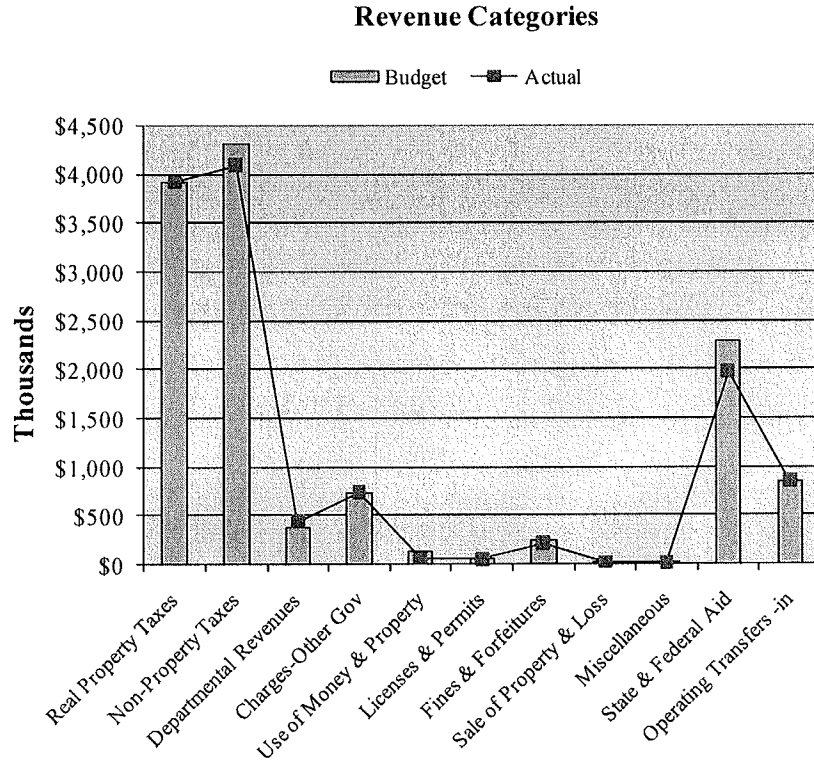
- Due to the slow economy, sales tax revenue was 5% below budget,
- Interest remained at record low rates throughout the year and therefore interest income was 54% below budget.
- Fines and forfeited bail which is received from City court, was 15.4% below budget for 2009.
- State aid decreased by 14.9% as compared to the 2009 budget primarily due to the certain capital projects not done in 2009.
- Departmental fees saw an overall increase of 15.1% compared to the budget which was primarily driven by an increase in the planned unit development fees, which are offset by expenditures. Other public safety income increased due to an increase in code violations.

General fund expenditures reflected an overall positive variance as compared to budget in the amount of \$1,134,191. The largest variances were:

- Salaries and wages were under budget by 2.7% primarily due to vacancies in the police and fire departments.
- Capital equipment was under budget by 45% due to projects that were not done in 2009 including the skate park and crosswalk bump-outs.
- Materials and supplies was under budget by 13.7% due to lower than anticipated fuel prices.
- Contractual costs for utilities, landfill charges and street maintenance contributed to a positive variance of 10.1% as compared to the 2009 budget.
- Employee benefits were under budget by 2.9% due in part to a lower estimated retirement payment for police and fire due to vacancies in the department and changes in medical insurance by DPW and nonunion employees.
- Interest expense was under budget by 6.2% because bond interest budgeted for a 2009 bond issue was not issued until 2010.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

The following table summarizes the 2009 budget as compared to actual results:



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

**Proprietary Funds**

The other two major "funds" of the City are the water fund and the sewer fund , which comprised 16% and 12% of the 2009 adopted City budget, respectively. The services provided by these enterprise funds are:

- Providing drinking water to city residents and selling drinking water to several town water districts; and
- Collecting, treating and discharging wastewater through a sanitary sewer system serving City residents, and providing wastewater treatment services to the county sewer district.

Each of these activities is run like a separate business with its own record of revenue, expenses and cash balances. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

At the end of the current fiscal year, the City reported total net assets for its enterprise funds of \$15.55 million, a decrease of \$217,874 in comparison with the prior year. Of the total net assets, \$11.41 million is recorded as an investment in capital assets net of related debt, \$2.33 million is restricted for capital reserves and debt service and the remaining \$1.8 million is unrestricted.

Water Fund - This fund finished the current fiscal year with a net income of \$130,513. The unrestricted fund balance is \$951,299, with an amount reserved for capital expenditures and debt service of \$585,651.

Sewer Fund - This fund finished the current fiscal year with net income of \$87,361. The unrestricted fund balance is \$843,720, with an amount reserved for capital expenditures and debt service of \$1,764,344.

**GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION**

At December 31, 2009, the City has \$60,301,092 (after depreciation is deducted) in a broad range of capital assets including land, buildings, and machinery and equipment. The change in the City's net assets between 2008 and 2009 is reflected below:

**Capital Assets, Net of Depreciation, as of December 31**

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 8,791,602	8,747,517	180,810	183,680	8,972,412	8,931,197
Buildings and improvements	4,291,608	4,096,685	10,170,558	10,757,340	14,462,166	14,854,025
Machinery and equipment	2,606,611	2,734,043	879,772	971,546	3,486,383	3,705,589
Infrastructure	23,902,903	25,012,643	5,101,505	5,511,120	29,004,408	30,523,763
Construction in progress	686,162	336,317	3,689,561	27,904	4,375,723	364,221
<b>Total capital assets</b>	<u>\$ 40,278,886</u>	<u>40,927,205</u>	<u>20,022,206</u>	<u>17,451,590</u>	<u>60,301,092</u>	<u>58,378,795</u>

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Government-Wide Capital Assets - The primary increase in capital assets during the current fiscal year was the completion of two major park projects, the fire station roof, capital improvements at the Hurley Building, fire department air packs and new vehicles in the police department and DPW. During the current year, \$723,673 was added to construction in progress while \$373,828 was capitalized along with other fixed asset additions of \$612,231. Net deletions for 2009 amounted to \$33,784. Depreciation for the year totaled \$1,950,439.

Business-Type Activities Capital Assets - The primary increase in capital assets during the current fiscal year was a result of equipment and vehicle purchases. During the current year, \$3.7 million was added to construction in progress while \$27,904 was capitalized along with other fixed asset additions of \$78,998. Depreciation for the year totaled \$1,197,945.

### LONG-TERM DEBT

At December 31, 2009, the City had \$19.4 million in general obligation and other long-term debt outstanding as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Serial bonds	\$ 8,280,440	9,354,165	8,279,560	5,869,495	16,560,000	15,223,660
Capital leases	310,849	616,101	-	32,534	310,849	648,635
Compensated absences	712,025	647,052	139,456	176,625	851,481	823,677
HUD 108 - Serial bond	1,555,000	1,650,000	-	-	1,555,000	1,650,000
Other postemployment benefits	108,254	-	21,881	-	130,135	-
<b>Total long-term debt</b>	<b>\$ 10,966,568</b>	<b>12,267,318</b>	<b>8,440,897</b>	<b>6,078,654</b>	<b>19,407,465</b>	<b>18,345,972</b>

At December 31, 2009, debt of \$9.8 million is subject to the debt limit of \$41.7 million for the City. This represents 23.6% of debt limit exhausted. The water fund debt is constitutionally excluded from the debt limit, and the sewer fund debt prior to 2009 is excluded from the debt limit pursuant to Section 124.10 of the Local Finance Law.

During the year, the City issued public improvement (serial) bonds in the amount of \$2,800,000. Additionally, the City paid back outstanding bonds, notes and capital leases totaling \$1,473,977 for governmental activities and \$422,470 for business-type activities.

### CREDIT RATING

The City was issued an excellent A+ credit rating by Standard & Poor's in 2009.

### FUTURE FINANCIAL IMPLICATIONS

The 2010 budget for the City of Canandaigua for general, water and sewer funds totaled \$18,323,644.

CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Revenue Highlights:

- Property tax rates increased to \$6.287 per thousand which represents a 6.4% increase in the tax levy.
- Sales tax revenues are expected to decrease by only 8% over the 2009 budget based on uncertainty of the economy.
- A lodging tax was passed authorizing the City to impose a 3% tax on the occupancy of hotel or motel rooms. The estimated revenue in the 2010 budget is \$100,000.
- The use of money and property decreased by 50% due to the decline in interest rates.
- State aid is projected to decrease by 16.9% due estimated decreases in revenue sharing, mortgage tax and unfunded capital projects.
- Departmental income increased by 45% primarily due to a new solid waste collection fee. This fee is imposed on multi-unit dwellings and nonprofits that elect to have curbside garbage. The first unit would be included in taxes and \$160 will be charged annually for each additional unit. The estimated revenue from this fee is \$89,000.
- Other revenue categories remain the same or show modest increases.
- The water rate has increased by 2.9% and is now measured per 1000 gallons. A City resident will be charged a rate of \$2.81/1000 gallons.
- The sewer rate has increased by 7.4% for 2010. This rate is based on the gallons of water used and for a City resident it is \$2.60/1000 gallons.

Expenditure Highlights:

- The general fund budget decreased by 4.79% over the 2009 budget while the water fund budget increased by 1.8% and sewer fund budget increased by 19.1%.
- The City authorized a retirement incentive program for nonunion, public works and fire fighters. The intent was to reduce staff and minimize involuntary reductions in force. As a result, four employees retired on or before December 31 and two additional employees will retire in April of 2010.
- The fire department's paid firefighters were reduced by four positions which included one retirement as part of the incentive package and three layoffs. Four more firefighters are scheduled to be laid off June 30<sup>th</sup>. This will leave six paid firefighters. The City has increased its volunteer force as well as contracted with another volunteer company to cover some of the area managed by the City's forces.
- Cost of living increases of 1.7% to 2.0% for all full-time employees have been included in the 2010 budget, although two union agreements expired in 2009 and are currently being negotiated. Nonunion employees pay 5% of their healthcare costs and firefighters agreed to a \$15.00 per week payment (\$7.50 per week for a single policy) toward the cost of their health insurance.
- For the first time a contingency account has been set up in the 2009 budget funded by one time revenues from 2008. This contingency account, which can only be used with permission from the City Council, has been continued into the 2010 budget at an amount of \$242,000.

In the general fund the City elected to use \$358,750 of unreserved fund balance at December 31, 2009 to balance the fiscal year 2010 budget. The water fund did not use any unreserved fund balance for 2010 but the sewer fund budgeted \$70,259 of unreserved fund balance to balance the 2010 budget.



CITY OF CANANDAIGUA, NEW YORK  
Management's Discussion and Analysis, Continued

Together in 2010, wages and benefits are budgeted to comprise 63% of the City's general fund budget and 53% of the general, water and sewer budgets combined. The City continues to monitor employee benefits, which are largely outside of our control, and which could have a material effect on future tax levies. Since the year 2000, employee benefits for current and retired employees have risen over 150%. The City has focused on two main areas of employee benefits:

- The first is retirement expense paid on behalf of our employees. Between 1998 and 2002 the cost was negligible to municipal governments. However, due to the retirement system experiencing a significant loss of asset value on their investments, local governments are being asked to make up the difference. For the plan year ending March 31, 2010 the cost to the City was 13.8% of payroll for police and fire, and 6.9% of payroll for other employees. It is currently estimated that the cost for the March 31, 2011 retirement plan year would be approximately 16.8% of the City payroll for police and fire and 11.2% for other employees. Due to the economic climate and falling investment earnings we expect to see a rise in the contribution rate in future years.
- The second is rising costs for medical and dental insurance costs for our employees. The City continues to experience double digit increases in health insurance premiums. Nonunion employees and the firefighter union has agreed to pay for some of the cost of health insurance. Two union contracts expired in 2009 and negotiations continue to focus on ways to reduce the cost of health insurance. We obtained a shared services grant with the City of Geneva to investigate the experience related plans to see if it would be beneficial to the City.

The City is continuing to look for ways to improve our operations. The City has obtained a local government efficiency grant to complete a feasibility study on intermunicipal cooperation, consolidation, or contracting of City and County vehicle maintenance operations. The City also conducted a pilot program to assess the feasibility of going to a once per month pick-up schedule for curbside recycling. The results are currently being reviewed by the City Council.

The City has made it a practice to maintain healthy fund balances, and has made a commitment to develop additional dedicated reserves. In 2007 we adopted a fund balance policy that preserves an undesignated fund balance as of December 31<sup>st</sup> equal to a minimum of two months of the ensuing year's budgeted general fund expenditures, with a targeted maximum of three months of the ensuing year's budgeted expenditures. These practices have enabled us to maintain our financial health despite adverse changes in the economic climate.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances. If you would like additional information, please contact:

KAY W. JAMES  
CITY MANAGER  
TWO NORTH MAIN STREET  
CANANDAIGUA, NY 14424  
585-396-5000

CITY OF CANANDAIGUA, NEW YORK  
Statement of Net Assets  
December 31, 2009

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Assets:	<u>Activities</u>	<u>Activities</u>	
Current assets:			
Cash and cash equivalents	\$ 2,810,707	3,153,729	5,964,436
Accounts receivable, net	1,369,776	1,205,517	2,575,293
Due from other governments	466,833	180,586	647,419
Due from other funds	2,808	-	2,808
State and Federal aid receivable	248,902	-	248,902
Prepaid items	193,714	38,049	231,763
Total current assets	<u>5,092,740</u>	<u>4,577,881</u>	<u>9,670,621</u>
Long-term assets:			
Accounts receivable, net	1,555,000	-	1,555,000
Capital assets:			
Land	3,482,538	164,072	3,646,610
Work in progress	686,162	3,689,561	4,375,723
Other capital assets, net of depreciation	36,110,186	16,168,573	52,278,759
Total long-term assets	<u>41,833,886</u>	<u>20,022,206</u>	<u>61,856,092</u>
Total assets	<u>46,926,626</u>	<u>24,600,087</u>	<u>71,526,713</u>
Liabilities:			
Accounts payable and other current liabilities	274,589	553,871	828,460
Accrued liabilities	219,229	55,048	274,277
Due to other governments	3,751	-	3,751
Deferred revenue	469,063	-	469,063
Long-term liabilities:			
Due in one year	1,454,381	453,494	1,907,875
Due in more than one year	9,512,187	7,987,403	17,499,590
Total liabilities	<u>11,933,200</u>	<u>9,049,816</u>	<u>20,983,016</u>
Net Assets:			
Invested in capital assets, net of related debt	32,237,711	11,742,647	43,980,358
Restricted for:			
Capital reserves	369,955	2,328,800	2,698,755
Debt service	58,654	21,195	79,849
Special districts	793,082	-	793,082
Unrestricted	1,534,024	1,457,629	2,991,653
Total net assets	<u>\$ 34,993,426</u>	<u>15,550,271</u>	<u>50,543,697</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Activities  
Year ended December 31, 2009

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government support	\$ 2,231,888	390,864	23,897	-	(1,817,127)	-	(1,817,127)
Public safety	5,409,553	1,067,441	45,459	173,647	(4,123,006)	-	(4,123,006)
Transportation	2,658,244	506	127,607	719,750	(1,810,381)	-	(1,810,381)
Economic assistance and opportunity	225,269	-	-	2,500	(222,769)	-	(222,769)
Culture and recreation	1,123,019	185,517	-	323	(937,179)	-	(937,179)
Home and community services	1,051,999	290,122	-	31,920	(729,957)	-	(729,957)
Interest on long-term debt	472,962	-	-	-	(472,962)	-	(472,962)
Total governmental activities	13,172,934	1,934,450	196,963	928,140	(10,113,381)	-	(10,113,381)
Business - type activities:							
Water fund	2,705,905	3,099,071	-	-	-	393,166	393,166
Sewer fund	2,080,059	2,138,182	-	-	-	58,123	58,123
Total business - type activities	4,785,964	5,237,253	-	-	-	451,289	451,289
Total primary government	\$ 17,958,898	7,171,703	196,963	928,140	(10,113,381)	451,289	(9,662,092)
General revenue:							
Taxes:							
Property taxes					\$ 3,917,208	-	3,917,208
Non-property taxes					4,091,915	-	4,091,915
Mortgage tax					222,571	-	222,571
Unallocated State aid					1,215,633	-	1,215,633
Compensation for loss					32,998	-	32,998
Investment earnings					304,663	33,901	338,564
Transfers					290,000	(290,000)	-
Miscellaneous					106,395	22,684	129,079
Total general revenue					10,181,383	(233,415)	9,947,968
Change in net assets					68,002	217,874	285,876
Net assets at beginning of year					34,925,424	15,332,397	50,257,821
Net assets at end of year					\$ 34,993,426	15,550,271	50,543,697

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Balance Sheet - Governmental Funds  
December 31, 2009

	General Fund	Capital Projects Fund	Community Development Fund	Nonmajor Governmental Funds	Total Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,900,243	-	402,781	507,683	2,810,707
Receivables	323,259	550,115	496,402	-	1,369,776
Due from other funds	814,111	-	-	-	814,111
Due from other governments	466,834	-	-	-	466,834
State and Federal aid receivable	248,902	-	-	-	248,902
Prepaid items	188,407	-	-	5,307	193,714
<b>Total assets</b>	<b>\$ 3,941,756</b>	<b>550,115</b>	<b>899,183</b>	<b>512,990</b>	<b>5,904,044</b>
<b>Liabilities and fund balance:</b>					
<b>Liabilities:</b>					
Accounts payables and other current liabilities	163,643	14,583	-	12,093	190,319
Accrued liabilities	137,980	-	536	844	139,360
Due to other funds	120	811,183	-	-	811,303
Due to other governments	3,751	-	-	-	3,751
Collections in advance	-	-	84,270	-	84,270
Deferred revenue	6,369	-	462,694	-	469,063
<b>Total liabilities</b>	<b>311,863</b>	<b>825,766</b>	<b>547,500</b>	<b>12,937</b>	<b>1,698,066</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Insurance reserve	190,550	-	-	-	190,550
Capital Reserve	369,955	-	-	-	369,955
Encumbrances	15,045	197,150	-	65,135	277,330
Reserve for debt	-	-	-	58,654	58,654
Kershaw Park reserve	105,102	-	-	-	105,102
Miscellaneous reserve	10,574	-	-	-	10,574
<b>Unreserved:</b>					
Appropriated for subsequent year	358,750	-	-	-	358,750
Unappropriated	2,579,917	(472,801)	351,683	376,264	2,835,063
<b>Total fund balances</b>	<b>3,629,893</b>	<b>(275,651)</b>	<b>351,683</b>	<b>500,053</b>	<b>4,205,978</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,941,756</b>	<b>550,115</b>	<b>899,183</b>	<b>512,990</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not a financial resource and therefore are not reported in the funds.	40,278,886
Long-term liabilities, including serial bonds payable, are not due in the current period and therefore are not reported in the funds.	(10,146,290)
Accounts receivable - HUD108	1,555,000
Interest is accrued on outstanding bonds in the statement of net assets but not in the funds.	(79,869)
Other postemployment benefits are not reported in the funds under fund accounting but are expensed as the liability as incurred in the statement of net assets.	(108,254)
Compensated absences are not reported in the funds under fund accounting but are expensed as the liability is incurred in the statement of net assets.	(712,025)
	<u>\$ 34,993,426</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenue, Expenditures, and Changes in  
Fund Balances - Governmental Funds  
Year ended December 31, 2009

	General Fund	Capital Projects Fund	Community Development Fund	Nonmajor Governmental Funds	Total Funds
Revenue:					
Real property and tax items	\$ 3,917,208	-	-	-	3,917,208
Non-property taxes	4,091,915	-	-	-	4,091,915
Departmental income	441,555	-	-	4,000	445,555
Intergovernmental charges	737,883	-	-	82,517	820,400
Use of money and property	63,332	328	255	240,748	304,663
Licenses and permits	49,605	-	-	-	49,605
Fines and forfeitures	212,025	-	-	-	212,025
Sale of property and compensation for loss	32,998	-	-	-	32,998
Miscellaneous	14,669	-	197,635	2,000	214,304
Interfund revenues	341,980	-	-	-	341,980
State and County aid	1,802,570	-	-	31,920	1,834,490
Federal aid	173,647	550,115	57,030	-	780,792
Total revenue	11,879,387	550,443	254,920	361,185	13,045,935
Expenditures:					
Current:					
General governmental support	1,559,022	55,600	-	125,797	1,740,419
Public safety	3,783,296	201,633	-	-	3,984,929
Health	-	-	-	-	-
Transportation	1,290,069	624,554	-	-	1,914,623
Economic assistance and opportunity	120,178	-	105,000	-	225,178
Culture and recreation	802,443	48,968	-	-	851,411
Home and community services	656,121	-	21,134	127,656	804,911
Employee benefits	2,337,578	-	-	19,376	2,356,954
Debt service:					
Principal	1,378,976	-	95,000	-	1,473,976
Interest and other charges	378,032	-	102,635	-	480,667
Total expenditures	12,305,715	930,755	323,769	272,829	13,833,068
Excess (deficiency) of revenue over expenditures	(426,328)	(380,312)	(68,849)	88,356	(787,133)
Other financing sources and uses:					
Operating transfers in	990,135	56,021	-	-	1,046,156
Operating transfers out	(644,544)	(16,612)	-	(95,000)	(756,156)
Total other financing sources and uses	345,591	39,409	-	(95,000)	290,000
Net change in fund balances	(80,737)	(340,903)	(68,849)	(6,644)	(497,133)
Fund balances at beginning of year	3,710,630	65,252	420,532	506,697	4,703,111
Fund balances at end of year	\$ 3,629,893	(275,651)	351,683	500,053	4,205,978

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Reconciliation of the Statement of Revenue, Expenditures, and  
Change in Fund Balances of Governmental Funds to  
the Statement of Activities  
Year ended December 31, 2009

Net change in fund balances - total governmental funds \$(497,133)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$ 723,673	
Additions of assets, net of disposals	578,446	
Depreciation	<u>(1,950,439)</u>	
		(648,320)

Bond proceeds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,378,977

Compensated absences represent the value of the earned and unused portion of the liability for the vacation and compensatory time. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. This is the net change of compensated absences. (64,973)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditure is reported when due. 7,705

Other postemployment benefits represent the value of the unfunded portion of the cost of benefits for current employees upon retirement. They are reported in the statement of activities but do not require the use of the current financial resources and therefore are not reported as expenditures in the governmental funds. (108,254)

Change in net assets of governmental activities \$ 68,002

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual  
(Non-GAAP Basis of Budgeting) - General Fund  
Year Ended December 31, 2009

	Original budget (incl. carryover encumbrances)	Budget (amended)	Actual	Encumbrances	Variances
Revenue and other sources:					
Revenue:					
Real property and tax items	\$ 3,912,150	3,912,150	3,917,208	-	5,058
Non-property taxes	4,320,000	4,320,000	4,091,915	-	(228,085)
Departmental income	248,700	381,760	439,317	-	57,557
Intergovernmental charges	722,060	738,765	737,883	-	(882)
Use of money and property	123,250	123,250	57,262	-	(65,988)
Licenses and permits	55,100	55,100	49,605	-	(5,495)
Fines and forfeitures	250,600	250,600	212,025	-	(38,575)
Sale of property and compensation for loss	16,900	16,900	21,980	-	5,080
Miscellaneous	7,150	9,650	14,589	-	4,939
Interfund revenues	341,980	341,980	341,980	-	-
State and County aid	2,081,360	2,117,190	1,802,570	-	(314,620)
Federal aid	169,000	171,825	173,647	-	1,822
Total revenue	12,248,250	12,439,170	11,859,981	-	(579,189)
Other sources - operating transfers	496,200	509,000	510,896	-	1,896
Total revenue and other sources	12,744,450	12,948,170	12,370,877	-	(577,293)
Expenditures:					
Current:					
General governmental support	1,618,840	1,648,026	1,531,923	1,039	115,064
Public safety	3,968,558	4,024,577	3,783,296	436	240,845
Transportation	1,415,808	1,432,013	1,290,069	13,570	128,374
Economic assistance and opportunity	119,530	122,030	120,178	-	1,852
Culture and recreation	1,027,890	1,087,180	802,443	-	284,737
Home and community services	574,280	693,230	656,121	-	37,109
Employee benefits	2,483,120	2,408,230	2,337,578	-	70,652
Debt service:					
Principal	1,377,125	1,377,125	1,378,976	-	(1,851)
Interest and other charges	409,240	409,240	378,032	-	31,208
Total expenditures	12,994,391	13,201,651	12,278,616	15,045	907,990
Other uses:					
Operating transfers	-	70,305	70,260	-	45
Contingency	300,000	226,155	-	-	226,155
Total expenditures and other uses	13,294,391	13,498,111	12,348,876	15,045	1,134,190
Revenue and other sources over (under) expenditures and other uses	(549,941)	(549,941)	22,001	(15,045)	\$ 556,897
Insurance Reserve Fund	-	-	(475,832)	-	
Kershaw Park Reserve Fund	-	-	3,139	-	
Capital Reserve	-	-	369,955	-	
	(549,941)	(549,941)	(80,737)	(15,045)	
Fund balances at beginning of year	2,942,286	2,942,286	3,710,630	-	
Fund balances at end of year	\$ 2,392,345	2,392,345	3,629,893	(15,045)	

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Net Assets -  
Proprietary Funds  
December 31, 2009

	<u>Business Type Activities - Enterprise Funds</u>		
Assets:	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash	\$ 906,534	2,247,195	3,153,729
Accounts receivable (net)	802,249	403,268	1,205,517
Due from other governments	-	180,586	180,586
Prepaid items	19,772	18,277	38,049
Capital assets:			
Land	40,736	123,336	164,072
Work in progress	3,341,141	348,420	3,689,561
Other capital assets, net of depreciation	<u>7,411,799</u>	<u>8,756,774</u>	<u>16,168,573</u>
Total assets	<u>12,522,231</u>	<u>12,077,856</u>	<u>24,600,087</u>
Liabilities:			
Accounts payable and other current liabilities	398,495	155,376	553,871
Accrued liabilities	22,335	32,713	55,048
Noncurrent liabilities:		-	
Due in one year	247,571	205,923	453,494
Due in more than one year	<u>5,640,994</u>	<u>2,346,409</u>	<u>7,987,403</u>
Total liabilities	<u>6,309,395</u>	<u>2,740,421</u>	<u>9,049,816</u>
Net assets:			
Invested in capital assets, net of related debt	5,013,276	6,729,371	11,742,647
Restricted for capital reserves	573,804	1,754,996	2,328,800
Restricted for debt service	11,847	9,348	21,195
Unrestricted	<u>613,909</u>	<u>843,720</u>	<u>1,457,629</u>
Total net assets	<u>\$6,212,836</u>	<u>9,337,435</u>	<u>15,550,271</u>

See accompanying notes to financial statements.



CITY OF CANANDAIGUA, NEW YORK  
Statement of Revenue, Expenditures, and Changes in  
Net Assets - Proprietary Funds  
Year ended December 31, 2009

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenue:			
Contributions from operations	\$3,099,071	2,138,182	5,237,253
Rental of real property	7,299	-	7,299
Other revenue	4,315	1,170	5,485
Total operating revenue	<u>3,110,685</u>	<u>2,139,352</u>	<u>5,250,037</u>
Operating expenses:			
Judgments, claims, and insurance premiums	257,216	155,387	412,603
General services	1,690,370	950,979	2,641,349
Contractual expenses	32,950	189,430	222,380
Other professional services	22,494	6,507	29,001
Depreciation	497,698	700,247	1,197,945
Total operating expenses	<u>2,500,728</u>	<u>2,002,550</u>	<u>4,503,278</u>
Operating income	<u>609,957</u>	<u>136,802</u>	<u>746,759</u>
Nonoperating revenue (expense):			
Interest income	15,733	18,168	33,901
Interest expense	(205,177)	(77,509)	(282,686)
Interfund transfer	(290,000)	-	(290,000)
Other income	-	9,900	9,900
Total nonoperating expense	<u>(479,444)</u>	<u>(49,441)</u>	<u>(528,885)</u>
Net income	130,513	87,361	217,874
Net assets at beginning of year	<u>6,082,323</u>	<u>9,250,074</u>	<u>15,332,397</u>
Net assets at end of year	<u>\$6,212,836</u>	<u>9,337,435</u>	<u>15,550,271</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Cash Flows -  
Proprietary Funds  
Year ended December 31, 2009

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from services	\$2,951,441	2,067,153	5,018,594
Cash payments to insurance providers	(257,216)	(155,387)	(412,603)
Cash payments for contractual services	(1,381,851)	(1,085,429)	(2,467,280)
Other operating revenue	<u>11,614</u>	<u>1,170</u>	<u>12,784</u>
Net cash provided by operating activities	<u>1,323,988</u>	<u>827,507</u>	<u>2,151,495</u>
Cash flows from capital and related financing activities:			
Proceeds of debt	2,800,000	-	2,800,000
Principal payments of debt	(201,630)	(220,839)	(422,469)
Interest expense	(205,177)	(77,509)	(282,686)
Interfund transfer	(290,000)	-	(290,000)
Purchases of capital assets	(3,418,040)	(350,521)	(3,768,561)
Other receipts	<u>-</u>	<u>9,900</u>	<u>9,900</u>
Net cash used in capital and related financing activities	<u>(1,314,847)</u>	<u>(638,969)</u>	<u>(1,953,816)</u>
Cash flows from investing activities - investment income	<u>15,733</u>	<u>18,168</u>	<u>33,901</u>
Net increase in cash and cash equivalents	24,874	206,706	231,580
Cash and cash equivalents at beginning of year	<u>881,660</u>	<u>2,040,489</u>	<u>2,922,149</u>
Cash and cash equivalents at end of year	<u>\$ 906,534</u>	<u>2,247,195</u>	<u>3,153,729</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	609,957	136,802	746,759
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	497,698	700,247	1,197,945
Changes in:			
Accounts receivable	(147,630)	(71,029)	(218,659)
Prepaid expenses	6,461	(1,304)	5,157
Accounts payable and accrued liabilities	345,050	90,531	435,581
Compensated absences	(9,429)	(27,740)	(37,169)
Other postemployment benefits	<u>21,881</u>	<u>-</u>	<u>21,881</u>
Net cash provided by operating activities	<u>\$1,323,988</u>	<u>827,507</u>	<u>2,151,495</u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Fiduciary Net Assets -  
Fiduciary Funds  
December 31, 2009

	Expendable <u>Trust</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 38,122	81,589
Accounts receivable (net)	-	2,329
Due from other funds	<u>120</u>	<u>-</u>
Total assets	<u>38,242</u>	<u>83,918</u>
Liabilities:		
Accounts payable	-	1,442
Tax sale surplus	-	61,939
Due to other funds	-	2,928
Other liabilities	<u>-</u>	<u>17,609</u>
Total liabilities	<u>-</u>	<u>83,918</u>
Net assets - unreserved	<u><u>\$ 38,242</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

CITY OF CANANDAIGUA, NEW YORK  
Statement of Changes in Fiduciary Net Assets -  
Fiduciary Funds  
Year ended December 31, 2009

	Expendable <u>Trust</u>
Additions:	
Contributions	\$ 120
Investment earnings	<u>134</u>
Total additions	254
Deductions - culture and recreation	<u>-</u>
Change in net assets	254
Net assets at beginning of year	<u>37,988</u>
Net assets at end of year	<u><u>\$ 38,242</u></u>

See accompanying notes to financial statements.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements

December 31, 2009

#### (1) Summary of Significant Accounting Policies

The financial statements of the City of Canandaigua, New York (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

##### (a) Financial Reporting Entity

The City is governed by the charter of the City of Canandaigua, the general city law, other general laws of the State of New York and various local laws and ordinances. The City Council, consisting of the Mayor and eight council persons, is the legislative body responsible for overall operations of the City. The City manager serves as Chief Administrative Officer and the Chief Financial Officer of the City.

The City provides the following basic services to all residents of the City: police protection and law enforcement, fire fighting and prevention, a water treatment plant and distribution system, a sewage treatment plant and collection system, a traffic control system, street lighting, a street maintenance force (including construction, repair and snow/ice removal), recreation facilities and programs, refuse and garbage removal, community development and a staff to provide the necessary support for these services.

The financial reporting entity consists of (a) the primary government which is the city and (b) organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability.

The accompanying basic financial statements include only the operations of the City since there are no other organizations that meet the criteria for inclusion in the reporting entity of the City.

##### (b) Basis of Presentation

###### (1) Government-Wide Statements

The statement of net assets and the statement of activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of the internal transactions. Governmental activities generally are financed through taxes, State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Certain Significant Accounting Policies, Continued

##### (b) Basis of Presentation, Continued

##### (1) Government-Wide Statements, Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City does not allocate indirect costs. An administrative service fee is charged by the general fund to the City's special district funds that is eliminated like a reimbursement (reducing the revenue and expense in the general fund) to recover the direct costs of services provided (finance, personnel, purchasing, legal, technology, management, etc.)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

##### (2) Fund Financial Statements

The fund statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each as displayed in a separate column. The City reports the following major governmental funds:

General Fund - The principal operating fund that includes all operations not required to be recorded in other funds.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Community Development Fund - Used to account for grants received which are to be used for economic development and housing rehabilitation.

The other funds which do not meet the major fund criteria are aggregated and reported as non-major other governmental funds. The following are reported as non-major other governmental funds:

Debt Service Fund - Used to account for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(b) Basis of Presentation, Continued

(2) Fund Financial Statements, Continued

Special Revenue Funds - Used to account for taxes, user fees, or other revenues which are raised or received to provide special services to areas that may or may not encompass the whole City. The following are non-major special revenue funds utilized by the City:

Watershed Program  
Parks and Open Spaces  
Technology

Proprietary funds are to account for the City's ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

Enterprise funds are used to account for operations that provide a service and are financed primarily by a user charge for the provision of that service or the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The enterprise funds include the water and sewer funds.

Additionally, the City reports the following fiduciary fund type that is used to account for assets held by the City in a custodial capacity:

Agency Fund - Is custodial in nature and does not present the results of operations or have a measurement focus. The agency fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Government-wide financial statements apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF CANANDAIGUA, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Certain Significant Accounting Policies, Continued

(c) Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition for governmental fund revenues. Material revenues that are susceptible to accrual include charges for services, intergovernmental revenues and operating transfers. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

(d) Property Tax Revenue Recognition

The City property taxes are levied annually no later than December 15 and become a lien on May 1. Taxes are collected during the period May 1 to December 18. Taxes which remain unpaid after the collection period are enforced pursuant to the tax sale provisions in the City charter.

In addition to the liens for taxes levied for City purposes, the City assumes full enforcement responsibility for taxes levied by the County of Ontario and the Canandaigua City School District on properties within the City. The City pays to the County the full amount of the taxes to be collected on their behalf. Unpaid County and School District liens are added to liens for City taxes at the time of tax sales.

The City is permitted by the Constitution of New York State to levy taxes up to 2% of the five-year average full assessed valuations for general governmental services other than the payment of debt service and capital expenditure. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended December 31, 2009, the City had a legal margin of approximately \$10,088,000.

No allowance for uncollectible taxes is recorded since such amounts, if any, are considered to be immaterial in nature. Taxes not collected within 60 days of year-end are recorded as deferred revenues. These amounts will be recognized as revenue when they are received.



## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Certain Significant Accounting Policies, Continued

##### (e) Budgets and Budgetary Data

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Annual budgets are adopted for the general and enterprise funds only. Formal annual budgets are not prepared for the City's special revenue, debt service and capital projects funds.
- (2) The budget policies are as follows:
  - a. No later than November 1, the City Manager submits a tentative budget to the City Council for the following year commencing the following January 1. The tentative budget includes appropriations and the proposed means of financing them. The general fund's budget is prepared on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level.
  - b. After a public hearing is conducted to obtain citizens' comments, no later than December 15, the City Council adopts the annual budget.
  - c. All revisions that alter total appropriations of any department or fund must be approved by the City Council.
  - d. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects.
- (3) Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

##### (f) Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

##### (g) Investments

The City's investments are reported in accordance with GASB Statement No. 31. In accordance with this statement, investments are stated at cost, which approximates market.

##### (h) Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles. All amounts due from other governments are deemed fully collectible.

##### (i) Due To/From Other Funds

The amounts reported on the governmental funds balance sheet for due to and due from other funds represents amounts due between different fund types (general and non-major funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Certain Significant Accounting Policies, Continued

##### (j) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

##### (k) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 Years
Water and Sewer System/Infrastructure	50 Years
Equipment	4-20 Years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Depreciation is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the leases term or the estimated useful lives of the assets, whichever is shorter.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related utilities), etc. These infrastructure assets are likely to be the largest asset class of the City. The reporting of the City's retroactive infrastructure is concurrent with the implementation of the general provisions of GASB Statement No. 34.

##### (l) Compensated Absences

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Certain Significant Accounting Policies, Continued

##### (l) Compensated Absences, Continued

Compensated absences for governmental fund type employees are reported as a liability and expenditure in the government-wide financial statements, and are dependent on many factors; therefore, the timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

Compensated absences are accrued when incurred in the proprietary funds and are recognized when paid in the governmental funds.

##### (m) Postemployment Benefits

In addition to providing pension benefits, the City provides certain health care benefits to retired employees. Retired employees with at least 15 years of service are allowed to participate in the City's group medical insurance plan until they reach the age of 65. Retired employees reaching age 65 may continue participation in the plan but must reimburse the City for the premium. The City recognizes the cost of providing these benefits by expensing the annual insurance premiums which totaled \$333,889 for 25 retirees and/or their surviving spouses for the year ended December 31, 2009.

##### (n) Deferred Revenue

The City reports deferred revenues in its basic financial statements. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

##### (o) Long-Term Obligations

Long-term obligations represent the City's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net assets.

##### (p) Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all City funds. Outstanding encumbrances at year-end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The City had \$277,330 in encumbrances outstanding at December 31, 2009.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Certain Significant Accounting Policies, Continued

##### (q) Restrictions, Reserves and Designations

The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the City not restricted for any project or purpose.

##### (r) Future Impacts of Accounting Pronouncements

GASB Statement No. 47 - "Accounting for Termination Benefits" provides guidance for measuring, recognizing, and reporting liabilities and expense related to all termination benefits, including voluntary termination benefits (e.g. early-retirement incentives), without limitation as to the period of time during which the benefits are offered, and involuntary termination benefits (e.g. severance benefits). Statement No. 47 excludes postemployment benefits (pensions and other postemployment benefits) which are part of the compensation that is offered in exchange for services received because they differ in nature from termination benefits. This statement is not expected to have a material effect on future financial statements of the City.

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications that can be more consistently applied. The City will be required to implement Statement No. 45 in the year ending December 31, 2011. The City has not yet made a determination as to the potential impact of Statement No. 54 on its financial statements.

##### (s) Adoption of New Accounting Pronouncement

During the year ended December 31, 2009, the City adopted the provisions of GASB Statement No. 45 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The effect of adoption of this new pronouncement for the year ended December 31, 2009 is the recording of \$108,254 in expense for governmental activities and \$21,881 for business-type activities in the financial statements that has not been recorded in previous years. Additionally, beginning with 2009, the total unfunded actuarial accrued liability for postemployment benefits of \$6,440,875 is being amortized over 30 years. Note 7 provides additional disclosures required under GASB Statement No. 45.

# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements, Continued

### (2) Cash and Investments

Cash equivalents include certificates of deposit with original maturities of three months or less and highly liquid investments in money market accounts.

In conformance with State law, the City Council biennially designates official depositories for the City. The City clerk/treasurer has authority to choose the types of deposits and investments made by the City within the constraints of applicable State laws. The City's practice is to limit deposits and investments to insured and/or collateralized demand deposit accounts, time deposit accounts and certificates of deposit. The City does not enter into repurchase agreements and/or reverse repurchase agreements.

The City pools individual fund cash balances in order to secure more favorable rates of return. Interest earnings are allocated to funds based on the respective funds' contributions to the pool.

Protection of City deposits is provided by federal deposit insurance, as well as qualified pledged securities by the institutions holding the assets. Collateralization is required (by State law) at the rate of 100% of uninsured deposits and is composed of obligations of the United States and its agencies and obligations of the State of New York, its municipalities and school districts. The detail of cash and investments at December 31, 2009 consists of:

Petty cash	\$ 715
Deposits - checking and savings accounts	<u>6,083,432</u>
Total	\$ <u>6,084,147</u>

Deposits at December 31, 2009 were entirely covered by federal depository insurance or by eligible securities held in the City's name by a third party custodial bank or the trading partner's trust department. Bank balances held are as follows at December 31, 2009:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 760,593
Uninsured collateral held by third party custodial bank	1,124,230
Uninsured collateral held by trading partner's trust department	<u>5,887,905</u>
Total	\$ <u>7,772,728</u>

Cash and equivalents are reported as follows in the statement of net assets:

<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
\$ <u>5,964,436</u>	<u>119,711</u>	<u>6,084,147</u>

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(3) Receivables

Receivables at December 31, 2009 consisted of the following, which are net of an allowance for uncollectible amounts:

	<u>General</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>Agency Funds</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current:							
Taxes	\$ 11,174	-	-	-	-	-	11,174
Accounts	179,472	-	-	2,329	368,770	704,873	1,255,444
Franchise fees	80,031	-	-	-	-	-	80,031
Utilities tax	23,685	-	-	-	-	-	23,685
Rents receivable	-	-	-	-	54,498	97,376	151,874
Parking tickets	38,605	-	-	-	-	-	38,605
Rehabilitation loans	-	-	496,402	-	-	-	496,402
Other governments	466,833	-	-	-	180,586	-	647,419
State and Federal aid	248,902	550,115	-	-	-	-	799,017
Less allowance for uncollectibles	(9,708)	-	-	-	(20,000)	-	(29,708)
Total current receivables, net	1,038,994	550,115	496,402	2,329	583,854	802,249	3,473,943
Noncurrent - Steamboat Landing project							
Section 108 HUD Loan	-	-	1,555,000	-	-	-	1,555,000
Total receivables	\$ 1,038,994	550,115	2,051,402	2,329	583,854	802,249	5,028,943

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(4) Interfund Receivables and Payables

Interfund receivables and payables at December 31, 2009 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General fund	\$ 814,111	120
Capital projects fund	-	811,183
Trust and agency fund	120	2,928
Total	<u>\$ 814,231</u>	<u>814,231</u>

(5) Capital Assets

Capital assets activity for the year ended December 31, 2009 was as follows:

	<u>Balance at January 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,482,538	-	-	3,482,538
Work in process	336,317	723,673	(373,828)	686,162
Total capital assets not being depreciated	<u>3,818,855</u>	<u>723,673</u>	<u>(373,828)</u>	<u>4,168,700</u>
Capital assets, being depreciated:				
Land improvements	7,646,403	219,014	-	7,865,417
Infrastructure	53,409,643	-	-	53,409,643
Buildings and improvements	8,258,662	437,162	-	8,695,824
Machinery and equipment	5,103,177	329,883	(166,964)	5,266,096
Total capital assets being depreciated	<u>74,417,885</u>	<u>986,059</u>	<u>(166,964)</u>	<u>75,236,980</u>
				(Continued)

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(5) Capital Assets, Continued

	Balance at January 1, 2009	Increases	Decreases	Balance at December 31, 2009
Less accumulated depreciation for:				
Land improvements	\$ 2,381,424	174,929	-	2,556,353
Infrastructure	28,397,000	1,109,740	-	29,506,740
Buildings and improvements	4,161,977	242,239	-	4,404,216
Machinery and equipment	2,369,134	423,531	(133,180)	2,659,485
Total accumulated depreciation	37,309,535	1,950,439	(133,180)	39,126,794
Total capital assets being depreciated, net	37,108,350	(964,380)	(33,784)	36,110,186
Total	\$ 40,927,205	(240,707)	(407,612)	40,278,886

Depreciation expense for the year was charged to functions/programs as follows:

Governmental activities:

General governmental support	\$ 162,925
Public safety	228,662
Transportation	1,264,259
Economic assistance and opportunity	1,730
Culture and recreation	209,444
Home and community	83,419
	<u>\$ 1,950,439</u>



CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(5) Capital Assets, Continued

	Balance at January 1, 2009	Increases	Decreases	Balance at December 31, 2009
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 164,072	-	-	164,072
Work in process	27,902	3,689,561	(27,902)	3,689,561
Total capital assets not being depreciated	191,974	3,689,561	(27,902)	3,853,633
Capital assets, being depreciated:				
Land improvements	28,694	-	-	28,694
Infrastructure	18,886,331	-	-	18,886,331
Buildings and improvements	24,880,547	27,904	-	24,908,451
Machinery and equipment	3,411,621	78,998	(117,512)	3,373,107
Total capital assets being depreciated	47,207,193	106,902	(117,512)	47,196,583
Less accumulated depreciation for:				
Land improvements	9,085	2,871	-	11,956
Infrastructure	13,375,211	409,615	-	13,784,826
Buildings and improvements	14,123,207	614,686	-	14,737,893
Machinery and equipment	2,440,074	170,773	(117,512)	2,493,335
Total accumulated depreciation	29,947,577	1,197,945	(117,512)	31,028,010
Total capital assets being depreciated, net	17,259,616	(1,091,043)	-	16,168,573
Total	\$ 17,451,590	2,598,518	(27,902)	20,022,206

Depreciation expense amounting to \$1,197,945 was charged to the appropriate functions/programs.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (6) Retirement Plans

##### (a) Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (collectively the Systems). These are cost sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

##### (b) Funding Policy

The Systems are noncontributory except for employees who joined the ERS after July 27, 1976 who contribute 3% of their salary. Employees in the System for more than ten years are no longer required to contribute. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The rates billed by the Comptroller for ERS ranged from 6.9% to 9.2% for April through December 2009, from 7.9% to 10.7% for April 2008 through March 2009, and from 8.8% to 12% for January through March 2008.

The required contributions for the current year and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2009	\$ 253,254	361,968
2008	286,973	426,487
2007	327,028	367,891

#### (7) Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain health insurance benefits to retired employees and their families. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City and have at least 15 years of service with the City. The City's policy has been to account for and fund these benefits on a pay as you go basis.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (7) Other Postemployment Benefits, Continued

GASB has issued Statement No. 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" which requires the accrual of these liabilities. The City has implemented this statement as of January 1, 2009. The cost to the City of providing health insurance benefits to retirees amounted to \$464,024 during the year ended December 31, 2009.

##### (a) Plan Description

The City administers the medical insurance plans (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for continuation of medical and dental insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to the applicable collective bargaining and employment agreements. The City pays the cost of postemployment healthcare benefits for retirees, their spouses, and their dependents until Medicare eligible or age 65, whichever is sooner, after which the retiree is required to contribute the entire cost of the insurance. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

##### (b) Funding Policy

The obligation of the plan members, employers and other entities, are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

##### (c) Actuarial Methods and Assumptions

The valuation of postemployment healthcare benefits involves estimates and assumptions about the probability of events occurring far into the future. Examples are assumptions about future employment, mortality, and the health care cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the historical pattern of cost sharing between the City and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective and calculations.

For the valuation dated June 1, 2009, the entry age normal method, over a level percent of pay was used. Since the City does not currently segregate funding for these benefits, the investment rate of 5%, is the discount rate used, based on the expected return on the City's general assets. The rates of turnover are based on the 2003 Society of Actuaries small plan withdrawal, scaled at 50%. The rates of retirement for police, fire and DPW/MATCCS range from 5% to 100% of current age. It was assumed that 100% of future retirees and beneficiaries eligible will elect to receive postemployment healthcare benefits. Current retirees were assumed to continue participation in their current plans.

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(7) Other Postemployment Benefits, Continued

(d) Annual OPEB cost at December 31, 2009

	<u>City-wide</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Normal cost	\$ 176,090	162,706	13,384
Amortization of unamortized actuarial liability (UAL)	279,852	249,068	30,784
Interest	<u>8,082</u>	<u>7,246</u>	<u>836</u>
Annual required contribution (ARC)	287,934	256,314	31,620
Interest on OPEB obligation	-	-	-
Adjustment to ARC	<u>-</u>	<u>-</u>	<u>-</u>
OPEB expense	\$ <u>464,024</u>	<u>419,020</u>	<u>45,004</u>

(e) Reconciliation of Net OPEB obligation at  
December 31, 2009

Net OPEB obligation at the beginning of the year	-	-	-
OPEB expense	464,024	419,020	45,004
Net OPEB contributions made during the fiscal year	<u>(333,889)</u>	<u>(310,766)</u>	<u>(23,123)</u>
Net OPEB obligation at the end of the year	\$ <u>130,135</u>	<u>108,254</u>	<u>21,881</u>
Percentage of expense contributed	<u>71.96%</u>	<u>74.16%</u>	<u>51.38%</u>

(f) Schedule of funding process

Total actuarial accrued liability as of December 31, 2009	\$ 6,440,875	5,733,574	707,301
Actuarial value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>6,440,875</u>	<u>5,733,574</u>	<u>707,301</u>
Annual covered payroll	\$ <u>5,644,057</u>	<u>4,554,219</u>	<u>1,089,838</u>
Ratio of UAAL to annual covered payroll	<u>114.12%</u>	<u>125.90%</u>	<u>64.90%</u>

(g) Number of participants as of June 30, 2009

Active employees	105	83	22
Retired employees	<u>24</u>	<u>22</u>	<u>2</u>
Total employees	<u>129</u>	<u>105</u>	<u>24</u>

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(8) Long Term Debt

(a) Serial Bonds

The City borrows money in order to acquire land, high cost equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit obligations of the City.

(b) Other Long-Term Obligations

In addition to long-term bonded debt, the City also has capital leases and compensated absences.

(c) Summary of Debt

The following is a summary of obligations outstanding at December 31, 2009:

	Balance at 1/1/09	Additions	Deletions	Balance at 12/31/09	Classified As	
					Current	Non-current
<u>Governmental Funds:</u>						
Serial bonds	\$ 9,354,165	-	1,073,725	8,280,440	950,370	7,330,070
Capital leases	616,101	-	305,252	310,849	221,005	89,844
HUD 108 - Serial bonds	1,650,000	-	95,000	1,555,000	105,000	1,450,000
Compensated absences	647,052	64,973	-	712,025	178,006	534,019
Other postemployment benefits	-	419,020	310,766	108,254	-	108,254
Total governmental funds	\$ 12,267,318	483,993	1,784,743	10,966,568	1,454,381	9,512,187

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(8) Long Term Debt, Continued

(c) Summary of Debt, Continued

<u>Enterprise funds:</u>	<u>Balance at 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/09</u>	<u>Classified As</u>	
					<u>Current</u>	<u>Non-current</u>
<u>Water:</u>						
Serial bonds	\$ 3,163,400	2,800,000	183,000	5,780,400	226,000	5,554,400
Capital leases	18,631	-	18,631	-	-	-
Compensated absences	95,712		9,429	86,283	21,571	64,712
Other postemployment benefits	-	23,236	1,355	21,881	-	21,881
<u>Sewer:</u>						
Serial bonds	2,706,095	-	206,935	2,499,160	192,630	2,306,530
Capital leases	13,903	-	13,903	-	-	-
Compensated absences	80,913	-	27,740	53,173	13,293	39,880
Other postemployment benefits	-	21,768	21,768	-	-	-
Total enterprise funds	<u>\$ 6,078,654</u>	<u>2,845,004</u>	<u>482,761</u>	<u>8,440,897</u>	<u>453,494</u>	<u>7,987,403</u>

(d) Maturity Schedule

The following is a statement of bonds with corresponding maturity schedules:

<u>Purpose</u>	<u>Issue date</u>	<u>Rate of Interest</u>	<u>Amount outstanding at 12/31/09</u>	<u>Final Maturity</u>
<u>General:</u>				
Serial bonds	3/92	6.20%	\$ 60,000	05/10
Serial bonds	4/99	4.375% - 4.40%	809,340	04/14
Serial bonds	2/03	2.00% - 4.125%	2,300,000	03/16
Serial bonds	7/03	2.50% - 4.00%	1,139,000	12/21
Serial bonds	12/06	4.00% - 4.10%	1,110,000	12/26
Serial bonds	11/07	4.00% - 4.125%	2,602,600	12/27
Serial bonds	11/08	3.50% - 4.30%	259,500	12/18
Total general			<u>8,280,440</u>	

CITY OF CANANDAIGUA, NEW YORK  
Notes to Financial Statements, Continued

(8) Long Term Debt, Continued

(d) Maturity Schedule, Continued

<u>Purpose</u>	<u>Issue date</u>	<u>Rate of Interest</u>	<u>Amount outstanding at 12/31/09</u>	<u>Final Maturity</u>
Water:				
Serial bonds	7/03	2.50% - 4.00%	\$ 101,000	12/21
Serial bonds	11/07	4.00% - 4.625%	2,879,400	12/46
Serial bonds	4/09	3.50% - 4.50%	2,800,000	12/28
Total water			<u>5,780,400</u>	
Sewer:				
Serial bonds	3/92	6.20%	15,000	5/10
Serial bonds	4/99	4.375% - 4.40%	130,660	4/14
NYS Environmental Facilities Corporation bonds	7/03	0.721% - 4.50%	1,395,000	1/23
Serial bonds	12/06	4.00% - 4.10%	510,000	12/26
Serial bonds	11/07	4.00% - 4.125%	443,000	12/27
Serial bonds	11/08	3.50% - 4.30%	<u>5,500</u>	12/18
Total sewer			<u>2,499,160</u>	
Community Development - HUD 108 - Serial bond	8/01	5.718% blended	<u>1,555,000</u>	8/19
Total			<u>\$ 18,115,000</u>	

# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements, Continued

### (8) Long Term Debt, Continued

#### (e) Future Debt Service

The following table summarizes the City's future debt service requirements as of December 31, 2009:

<u>Year</u>	<u>Bonds</u>	<u>Interest</u>
2010	\$ 1,475,000	716,023
2011	1,455,000	662,351
2012	1,500,000	606,978
2013	1,515,000	549,066
2014	1,530,000	489,300
2015 - 19	5,415,000	1,686,939
2020 - 25	2,680,000	827,820
2025 - 46	<u>2,545,000</u>	<u>932,408</u>
Total	\$ <u>18,115,000</u>	<u>6,470,885</u>

#### (f) Defeasement

In prior years, the City defeased general obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Outstanding general obligation bonds of \$2,185,000 are considered to be defeased.

### (9) Fund Balance Reservations

Reservations of fund balances of governmental fund types are created to either: (1) to satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of fund balance accounts are summarized below.

<u>Fund</u>	<u>Balance</u>
General fund:	
Reserved for insurance reserve	\$ 190,550
Reserved for encumbrances	15,045
Kershaw Park reserve	105,102
Capital Reserve	369,955
Miscellaneous reserve	<u>10,574</u>
Total general fund	\$ <u>691,226</u>
Capital projects fund - reserved for encumbrances	\$ <u>197,150</u>
Nonmajor funds - reserved for encumbrances	\$ <u>65,135</u>
Debt service fund - reserved for debt	\$ <u>58,654</u>



# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements, Continued

### (10) Fund Balance Designations

Designations are not legally required segregations but are segregated for a specific purpose by the City. At December 31, 2009, designated for subsequent years expenditures in the general fund amounted to \$358,750.

### (11) Net Assets - Restricted

The following table shows the net assets restricted for other purposes as shown on the statement of net assets:

<u>Restricted Net Assets</u>	<u>Restricted by</u>	<u>Amount</u>
Capital reserves - enterprise funds	Local law	\$ 2,328,800
Capital reserves - governmental funds	Local law	369,955
Debt service reserves - enterprise funds	State law	21,195
Debt service fund - governmental funds	State law	58,654
Special Districts:		
Community development	Local law	351,683
Parks and recreation	Local law	25,758
Technology	Local law	311,136
Watershed program	Local law	<u>104,505</u>
		<u>793,082</u>
Total restricted net assets		\$ <u>3,571,686</u>

### (12) Labor Relations

City employees are represented by four bargaining units with the balance governed by City personnel policies and practices. Two of the units have contracts that expire December 31, 2010. The remaining two units have contracts that expired December 31, 2009 and are currently being renegotiated.

# CITY OF CANANDAIGUA, NEW YORK

## Notes to Financial Statements, Continued

### (13) Interfund Transfers

Cash transfers from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Operating transfers in, and operating transfers out, for the year ended December 31, 2009 for the primary government were as follows:

	Operating transfers <u>in</u>	Operating transfers <u>out</u>
General fund	\$ 990,135	644,544
Water fund	-	290,000
Capital Projects fund	56,021	16,612
Nonmajor funds	<u>-</u>	<u>95,000</u>
Total	\$ <u>1,046,156</u>	<u>1,046,156</u>

### (14) Insurance Reserve

The City is exposed to various risks of loss related to torts; theft or damage to, or destruction of assets, and natural disasters. Under the City's self-insurance plan, self-insurance coverage is provided for deductibles and for uninsured claims. The City purchases commercial insurance for claims in excess of the self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past four years.

During 2009, the City determined that the current balance in the insurance reserve fund was higher than could reasonably be expended from the said fund. Pursuant to General Municipal Law §6-n the funds were transferred to other reserve funds with the same tax base. The current insurance reserve fund was dissolved and the funds were transferred to a new insurance reserve fund to pay for judgment, actions and claims and uninsured portion of any loss to property owned by the municipal corporation, and to a capital equipment reserve fund for the construction, reconstruction or acquisition of capital improvements.

There were no estimated accrued claims for the years ended December 31, 2009 and 2008 as defined by GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims and expenditures charged to this fund during 2009 totaled \$27,099. However, as referred to in note 9, the City has established and maintains an insurance reserve having a balance of \$190,550 at December 31, 2009.

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (15) Workers' Compensation Plan

The City is a member of the Ontario County Workers' Compensation Self-Insurance Plan (the OCWC Plan). Current membership of the OCWC Plan includes various municipal entities. The OCWC Plan is administered by Ontario County (the County) and utilizes a third party administrator who is responsible for processing claims, estimating liabilities and providing actuarial services.

The OCWC Plan states that participants are charged an annual assessment on the basis of their five-year experience (60%), exposure (20%) and assessed value (20%). The County does not have excess insurance coverage above the funding provided by this self-insurance program.

The OCWC Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. During the year ended December 31, 2009, the City incurred premiums or contribution expenditures totaling \$372,894, which were collected through the County's tax levy.

#### (16) Commitments

The City is obligated under certain leases accounted for as capital leases. The leased assets related to obligations are accounted for in the government-wide statement of net assets. The following is a schedule of future minimum lease payments under capital leases, together with the new present values of the minimum lease payments as of December 31, 2009:

	Governmental <u>activities</u>
2010	\$ 221,005
2011	<u>89,844</u>
Minimum lease payment - capital leases	310,849
Less: Amount representing interest incremental borrowing rate	<u>(18,591)</u>
Present value - minimum lease payments	\$ <u>292,258</u>

## CITY OF CANANDAIGUA, NEW YORK

### Notes to Financial Statements, Continued

#### (17) Contingencies

The City is subject to lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City. There are also seven cases pending relating to reduction in tax assessments. The outcome of these cases cannot be determined at this time.

The City participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF CANANDAIGUA, NEW YORK  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2009

		<u>Special Revenue Funds</u>			
	<u>Debt</u>	<u>Watershed</u>	<u>Parks and</u>	<u>Technology</u>	<u>Total</u>
	<u>Service</u>	<u>Program</u>	<u>Open</u>		
			<u>Spaces</u>		
Assets:					
Cash and cash equivalents	\$ 58,654	111,388	25,758	311,883	507,683
Prepaid items	-	1,205	-	4,102	5,307
Total assets	<u>\$ 58,654</u>	<u>112,593</u>	<u>25,758</u>	<u>315,985</u>	<u>512,990</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payables and other					
current liabilities	-	7,244	-	4,849	12,093
Accrued liabilities	-	844	-	-	844
Total liabilities	-	8,088	-	4,849	12,937
Fund balances:					
Encumbrances	-	-	-	65,135	65,135
Reserve for debt	58,654	-	-	-	58,654
Unreserved - unappropriated	-	104,505	25,758	246,001	376,264
Total fund balances	<u>58,654</u>	<u>104,505</u>	<u>25,758</u>	<u>311,136</u>	<u>500,053</u>
Total liabilities and					
fund balances	<u>\$ 58,654</u>	<u>112,593</u>	<u>25,758</u>	<u>315,985</u>	<u>512,990</u>

CITY OF CANANDAIGUA, NEW YORK  
Combining Statement of Revenue, Expenditures, and Changes in  
Fund Balance - Nonmajor Governmental Funds  
Year ended December 31, 2009

	Special Revenue Funds				
	Debt	Watershed	Parks and		
	Service	Program	Open	Technology	Total
			Spaces		
Revenue:					
Departmental income	\$ -	-	4,000	-	4,000
Intergovernmental changes	-	82,517	-	-	82,517
Use of money and property	533	1,329	191	238,695	240,748
Miscellaneous	-	2,000	-	-	2,000
State and County aid	-	31,920	-	-	31,920
Total revenue	<u>533</u>	<u>117,766</u>	<u>4,191</u>	<u>238,695</u>	<u>361,185</u>
Expenditures:					
General governmental support	-	-	-	125,797	125,797
Home and community services	-	127,656	-	-	127,656
Employee benefits	-	19,062	-	314	19,376
Total expenditures	<u>-</u>	<u>146,718</u>	<u>-</u>	<u>126,111</u>	<u>272,829</u>
Excess (deficiency) of revenue over expenditures	<u>533</u>	<u>(28,952)</u>	<u>4,191</u>	<u>112,584</u>	<u>88,356</u>
Other financing sources and uses - operating transfers	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,000)</u>
Net change in fund balance	(94,467)	(28,952)	4,191	112,584	(6,644)
Fund balances at beginning of year	<u>153,121</u>	<u>133,457</u>	<u>21,567</u>	<u>198,552</u>	<u>506,697</u>
Fund balances at end of year	<u>\$ 58,654</u>	<u>104,505</u>	<u>25,758</u>	<u>311,136</u>	<u>500,053</u>

**TOSKI, SCHAEFER & CO., P.C.**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members  
of the City Council  
City of Canandaigua, New York:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Canandaigua, New York (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Canandaigua's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Canandaigua's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Canandaigua's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Canandaigua's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the City in a separate letter dated March 26, 2010.

This report is intended solely for the information and use of management, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 26, 2010